

October 15, 2003



Financial Management

Promptness of FY 2004 First
Quarter DoD Payments to the
Department of the Treasury for
District of Columbia Water and
Sewer Services
(D-2004-010)

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of the
Department of Defense

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Acronyms

WASA	Water and Sewer Authority
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INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

October 15, 2003

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
NAVAL INSPECTOR GENERAL
DIRECTOR, NATIONAL IMAGERY AND MAPPING
AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
DIRECTOR, WASHINGTON HEADQUARTERS SERVICES

SUBJECT: Report on Promptness of FY 2004 First Quarter DoD Payments to the
Department of the Treasury for District of Columbia Water and Sewer
Services (Report No. D-2004-010)

We are providing this report for information and use. This report is one in a series of audits we conducted in response to the requirements of Public Law 106-554, the Consolidated Appropriations Act of 2001. No written response to this report was required, and none was received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Deborah L. Culp at (703) 604-9335 (DSN 664-9335) or Mr. Ronald W. Hodges at (703) 604-9592 (DSN 664-9592). See Appendix D for the report distribution. The team members are listed on the inside of the back cover.

By direction of the Deputy Inspector General for Auditing:

Robert K. West

Robert K. West
Deputy Director
Contract Management Directorate

Office of the Inspector General of the Department of Defense

Report No. D-2004-010

(Project No. D2003CG-0191)

October 15, 2003

Promptness of FY 2004 First Quarter DoD Payments to the Department of the Treasury for District of Columbia Water and Sewer Services

Executive Summary

Who Should Read This Report and Why? This report should be read by civil service managers, uniformed officers, and other individuals who have a direct interest in, or are in need of information about, the promptness of water and sewer payments to the District of Columbia.

Background. The audit was conducted in response to Public Law 106-554, the Consolidated Appropriations Act of 2001. The Act requires the inspector general of each Federal agency that receives water and sewer services from the District of Columbia to report to the Congressional Appropriations Committees on the promptness of payments within 15 days of the start of each quarter. The District of Columbia Water and Sewer Authority supplies both water and sewer services to Federal agencies and DoD Components within the National Capital Region. The Department of the Treasury is the collection agent for Federal agencies and DoD Components' water and sewer payments, with the Department of the Treasury submitting a single payment to the Water and Sewer Authority. The DoD Components, composed of 16 separate installations, sites, and organizations, are required to make advance quarterly payments to the Department of the Treasury for estimated bills on anticipated water usage in FY 2004. If the estimated bill is more than actual usage, the DoD Components receive a credit 3 years after the payment, which is the time it takes for billing reconciliation.

Results. The Navy made the first quarter FY 2004 payment to the Department of the Treasury for District of Columbia water and sewer services by October 1, 2003. On October 2, 2003, the Department of the Treasury withdrew \$307,000 from Bolling Air Force Base to pay the District of Columbia for water and sewer services provided. The Department of the Treasury did not withdraw funds from Walter Reed Army Medical Center and Fort McNair because the District of Columbia Water and Sewer Authority did not provide a timely response to the Department of the Treasury's request for documentation to support Walter Reed Army Medical Center and Fort McNair billings. Washington Headquarters Services, Arlington National Cemetery, and the National Imagery and Mapping Agency have credit balances from prior overpayments based on duplicate billings and were not required to make quarterly payments for FY 2004.

Management Comments. We provided a draft of this report on October 8, 2003. No written response to this report was required, and none was received. Therefore, we are publishing this report in final form.

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Background

This audit was required by Public Law 106-554, the Consolidated Appropriations Act of 2001. Public Law 106-554 states:

Not later than the 15th day of the month following each quarter, the inspector general of each Federal department, establishment, or agency receiving water services [or sanitary sewer services] from the District shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate analyzing the promptness of payment with respect to the services furnished to such department, establishment, or agency.

This report covers FY 2004 first quarter payments and is one in a series of reports discussing the promptness of DoD payments to the Department of the Treasury for District of Columbia water and sewer services.

The District of Columbia Water and Sewer Authority. The District of Columbia supplies both water and sewer services to Federal agencies and DoD Components within the National Capital Region. Since October 1996, the District of Columbia Water and Sewer Authority (WASA) has been responsible for delivery of water and sewer services to DoD Components. WASA provides meter readings and annual estimated billings to the Department of the Treasury for water and sewer services provided to the Federal agencies, including DoD Components.

Department of the Treasury Responsibility. Under the District of Columbia Public Works Act of 1954, the Federal Government was to receive water and sewer services from the District of Columbia, and the District of Columbia was to be paid with an annual lump sum in accordance with the District of Columbia Appropriations Act. The District of Columbia Appropriations Act of 1990 (Public Law 101-168) changed the payment process by designating the Department of the Treasury as the collection agent for the Federal agencies' water and sewer payments, with the Department of the Treasury remitting a single quarterly payment to the District of Columbia. Public Law 106-554 amends the process Federal agencies use for making payments to the Department of the Treasury. When agencies do not forward timely payments of amounts that WASA bills, the Department of the Treasury is now authorized and directed to automatically withdraw funds from Federal agencies and provide those funds to WASA by the second day of each quarter. The Department of the Treasury makes quarterly payments to WASA based on meter readings and estimates provided by WASA. The DoD Components are required to make quarterly payments to the Department of the Treasury for those annual estimated bills. See Appendix C for a list of DoD Components, composed of 16 separate installations, sites, and organizations that received WASA services.

Federal Agency Responsibility. Public Law 101-168 mandates responsibility to the respective Federal agencies for payment of water and sewer services. The funds for the DoD Components receiving water and sewer services come through each agency's operating budgets and their respective appropriations bills for the

current fiscal year. Each quarterly payment is due to the U.S. Treasury account, “Federal Payment for Water and Sewer Services,” on the first day of the quarter. If the estimated bill is more than actual usage, the DoD Components receive a credit 3 years after the payment, which is the time it takes for billing reconciliation.

Objectives

The audit objective was to determine the promptness of DoD FY 2004 first quarter payments to the Department of the Treasury for District of Columbia water and sewer services. See Appendix A for a discussion of the scope and methodology. See Appendix B for prior coverage related to the objective.

DoD FY 2004 First Quarter Payments to the Department of the Treasury

The Navy made the first quarter FY 2004 payment to the Department of the Treasury for District of Columbia water and sewer services on October 1, 2003. On October 2, 2003, the Department of the Treasury withdrew \$307,000 from Bolling Air Force Base to pay WASA for water and sewer services provided. The Department of the Treasury did not withdraw funds from Walter Reed Army Medical Center and Fort McNair because WASA did not provide a timely response to the Department of the Treasury's request for documentation to support its billing and payment information. Washington Headquarters Services, Arlington National Cemetery, and the National Imagery and Mapping Agency have credit balances from prior overpayments based on duplicate billings and were not required to make quarterly payments for FY 2004.

Promptness of FY 2004 First Quarter DoD Payments

The Department of the Treasury can withdraw funds on the second day of the quarter if payments are not made on the first day of the quarter. Thus, DoD Component payments are never more than one day late. DoD Components, except the Navy, did not make first quarter FY 2004 payments of their District of Columbia water and sewer bills by October 1, 2003. Walter Reed Army Medical Center, Fort McNair, and Bolling Air Force Base attempted to make payments by submitting accounting citations to the Department of the Treasury after October 1, 2003. Consequently, the Department of the Treasury withdrew \$307,000 for water and sewer services billed by WASA to Bolling Air Force Base. The Department of the Treasury did not withdraw funds from Walter Reed Army Medical Center and Fort McNair because WASA did not provide a timely response to the Department of the Treasury's request for supporting documentation. DoD Component payments are due on October 1, which is the first day of the fiscal year for DoD Components. However, there is usually a minor problem with either the availability of funds for DoD Components or estimated water and sewer bills from WASA lacking supporting documentation. These minor problems are generally resolved by the second quarter.

As shown in the following table, DoD Components were billed \$1.5 million, paid \$514,000, had credits from prior overpayments of \$272,000, and the Department of the Treasury withdrew \$307,000 for the FY 2004 first quarter payments.

**DoD Components' FY 2004 First Quarter Bills and Payments
(As of October 2, 2003)**

	Amount Billed (thousands)	Credits From Overpayments (thousands)	Amount Paid (thousands)
Washington Headquarters Services ¹	\$ 0	\$ (36)	\$ 0
Arlington National Cemetery ²	0	(64)	0
Fort Myer ³		(143)	
Defense in DC ^{4,5}	688	0	0
Navy ⁶	514	0	514
Bolling Air Force Base	307	0	307
National Imagery and Mapping Agency ⁷	0	(29)	0
Total	\$1,509	\$(272)	\$821

¹For FY 2004, Washington Headquarters Services received a credit of \$144,000 because of overpayments; \$36,000 represents the quarterly credit amount.

²For FY 2004, Arlington National Cemetery received a credit of \$254,000 because of overpayments; \$64,000 represents the quarterly credit amount.

³Fort Myer and Fort McNair are both part of the Fort Myer Military Community.

⁴Includes Fort McNair, National War College, National Defense University Center, and Walter Reed Army Medical Center.

⁵ Estimated amount billed for FY 2004 was \$2.8 million (\$688,000 represents the quarterly amount billed).

⁶Includes Anacostia Naval Station, Bellevue Naval Housing, Naval Observatory, Marine Corps Barracks (8th and I), Naval Research Laboratory, Nebraska Avenue Annex, Potomac Annex, and Washington Navy Yard.

⁷For FY 2004, National Imagery and Mapping received a credit of \$118,000 because of overpayments; \$29,000 represents the quarterly credit amount.

Appendix A. Scope and Methodology

We reviewed the DoD Components billing and payment information for the first quarter of FY 2004 for District of Columbia water and sewer services. Specifically, we reviewed the billing estimate that DoD Components received from WASA to establish the amounts billed for water and sewer services. We contacted the Department of the Treasury to confirm that funds available to DoD Components were withdrawn to pay the District of Columbia for FY 2004 first quarter water and sewer bills. See Appendix C for a list of DoD Components that received water and sewer services from WASA.

We performed this audit from September 2003 through October 2003 in accordance with generally accepted government auditing standards.

We did not review management controls because the audit is required every 3 months by statute and an audit of the management control program, Inspector General of the Department of Defense (IG DoD) Report No. D-2002-140, has already been issued.

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit.

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the DoD high-risk area identified as, “Confront and transform pervasive, decades-old financial management problems.”

Appendix B. Prior Coverage

IG DoD

IG DoD Report No. D-2003-118, "Promptness of FY 2003 Fourth Quarter DoD Payments to the Department of the Treasury for District of Columbia Water and Sewer Services," July 15, 2003

IG DoD Report No. D-2003-079, "Promptness of FY 2003 Third Quarter DoD Payments to the Department of the Treasury for District of Columbia Water and Sewer Services," April 15, 2003

IG DoD Report No. D-2003-049, "Promptness of FY 2003 Second Quarter DoD Payments to the Department of the Treasury for District of Columbia Water and Sewer Services," January 15, 2003

IG DoD Report No. D-2003-010, "Promptness of FY 2003 First Quarter DoD Payments to the Department of the Treasury for District of Columbia Water and Sewer Services," October 15, 2002

IG DoD Report No. D-2002-140, "Measurement of Water Usage by DoD Components Serviced by the District of Columbia Water and Sewer Authority," August 20, 2002

IG DoD Report No. D-2002-128, "Promptness of FY 2002 Fourth Quarter DoD Payments to the Department of the Treasury for District of Columbia Water and Sewer Services," July 15, 2002

IG DoD Report No. D-2002-082, "Promptness of FY 2002 Third Quarter DoD Payments to the Department of the Treasury for District of Columbia Water and Sewer Services," April 15, 2002

IG DoD Report No. D-2002-040, "Promptness of FY 2002 Second Quarter DoD Payments to the U.S. Treasury for District of Columbia Water and Sewer Services," January 15, 2002

IG DoD Report No. D-2002-007, "Promptness of FY 2002 First Quarter DoD Payments to the U.S. Treasury for District of Columbia Water and Sewer Services," October 15, 2001

IG DoD Report No. D-2001-159, "Promptness and Completeness of FY 2001 Fourth Quarter DoD Payments to the U.S. Treasury for Water and Sewer Services Provided by the District of Columbia," July 13, 2001

IG DoD Report No. D-2001-100, "Promptness and Completeness of FYs 2000 and 2001 DoD Payments to the U.S. Treasury for Water and Sewer Services Provided by the District of Columbia," April 13, 2001

IG DoD Report No. D-2001-053, "DoD Payments to the U.S. Treasury for Water and Sewer Services Provided by the District of Columbia," February 15, 2001

Appendix C. DoD Customers of the District of Columbia Water and Sewer Authority

According to the District of Columbia WASA, the list below identifies the 16 DoD Components to which WASA provided estimated bills for water and sewer services during FY 2004.

Army

Arlington National Cemetery
Fort McNair
Walter Reed Army Medical Center

Navy

Anacostia Naval Station
Bellevue Naval Housing
Marine Corps Barracks (8th and I)
Naval Observatory
Naval Research Laboratory
Nebraska Avenue Annex
Potomac Annex
Washington Navy Yard

Air Force

Bolling Air Force Base

Other Defense Organizations

National Defense University Center
National Imagery and Mapping Agency
National War College
Washington Headquarters Services

Appendix D. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)

Department of the Army

Auditor General, Department of the Army
Commander, Walter Reed Army Medical Center
Director, Arlington National Cemetery

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy
Director, Field Support Activity

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force
Commander, Bolling Air Force Base

Other Defense Organizations

Director, National Imagery and Mapping Agency
Director, Washington Headquarters Services

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Inspector General, Department of the Treasury

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform

Team Members

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